

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 KINSHASA 008558

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EPET](#) [EMIN](#) [KSAC](#) [AMGT](#) [PREL](#) [CG](#)

SUBJECT: WEEKLY ECONOMIC REPORT - WEEK OF DECEMBER 18 -
DECEMBER 24

11. (U) SUMMARY: Gasoline and diesel supplies were adequate in Kinshasa, though reports that current supplies are noxious persisted. The Congolese franc weakened on the parallel market to about 142 Congolese francs per US dollar. The GDRC held a week-long workshop on the conditions of state-owned companies. The governments of the RDC and Congo-Brazzaville agreed that debt payments from Congo-B for electricity would go toward construction of a new high voltage line from the Inga Dam. The press continued to report that diamond markets are depressed because the company with an exclusive export license is not interested in buying industrial diamonds and not capable of buying all gem-quality stones. The Honorary Consul of Cyprus was caught with a packet of rough diamonds in her hand luggage as she waited in the diplomatic lounge at Kinshasa's airport for a flight to Brussels. Inflation slowed from last week's torrid pace, although merchants raised clothing prices in advance of the holidays. END SUMMARY.

MOTOR FUEL

12. (U) Fuel supplies were adequate and no long lines formed at service stations. Stations were once again closed on Sunday to reduce fuel consumption, but reopened on Monday, despite the Christmas holiday.

13. (U) Rumors that current fuel stocks are substandard continued to circulate, and the press reported that noxious fumes from fuel tanks sickened many people.

MONETARY UPDATE/EXCHANGE RATE

14. (U) The Congolese franc weakened on the parallel market to about 142 Congolese francs per US dollar. This surprised many observers who are accustomed to see the franc strengthen at the end of the year because employers need francs to pay the traditional bonus of one month's salary. The official exchange rate remains 50 francs per dollar.

MINING NEWS

15. (U) Diamond sector representatives continued to complain about the exclusive export license granted to Israeli firm IDI diamonds. The press reported that diamond markets are depressed because IDI is not interested in buying industrial diamonds and not capable of buying all gem-quality stones.

16. (U) The Honorary Consul of Cyprus was caught with a packet of rough diamonds in her hand luggage as she waited in the diplomatic lounge at Kinshasa's airport for a flight to Brussels. The incident recalled the uproar when the Ambassador of Togo was caught smuggling Congolese francs to Brazzaville.

LOCAL ECONOMIC NEWS

17. (U) The GDRC held a week-long workshop on the country's state-owned companies. In his opening remarks, the Minister for State Enterprise said the goal of the exercise was threefold: to prepare a diagnosis of the state of the parastatals; to identify the current and more remote causes of the problems identified; and to propose solutions that would permit the state-owned sector to play the key role in development that it played during the colonial era. Officials from one of the companies represented at the workshop, the Kisenge manganese mine, noted that their mine had produced nothing since the railroad serving the mine closed 25 years ago. Individual state enterprises estimated the investment that would be

required to rehabilitate their facilities. The post office/national phone company reported it needed a relatively modest USD 38 million. By contrast, Kinshasa's International Fairgrounds claims it requires a whopping USD 92 million.

18. (U) The governments of the two Congos announced they had reached an agreement on the repayment of USD 28 million that Congo-Brazzaville owes the DRC for electricity. The funds will be set aside to construct a second high voltage line from the Inga dam. The head of the DRC's electricity parastatal told the press that, with funding for over half of the line's USD 50 million cost already identified, the rest of the necessary financing would be easy to obtain.

19. (U) INFLATION FOR THE WEEK OF DECEMBER 18

INFLATION BY CATEGORY (IN PERCENT)			
WEEK ENDING	12/08	12/15	12/21
FOOD	9	13	3
BEVERAGES	0	4	4
NON-FOOD	9	2	0
CLOTHING	0	0	127
RENTS	0	0	0
TRANSPORTATION	0	50	0
SCHOOL COSTS	0	0	0
UTILITIES	0	0	0
COMBINED FIGURES			
WEEKLY	3.6	18.1	4.1
MONTH TO DATE	3.5	22.0	27.0

Clothing cost increases reflect lagged exchange rate effects, as merchants restocked for the Christmas holiday.

November inflation: 8.6 percent
 Year to date (end November) 487 percent
 Last 12 months inflation (end November): 605 percent
 1999 Inflation: 333 percent

110. (U) ADJUSTMENT TO INFLATION FIGURES

Comparison of Embassy inflation statistics with statistics from the Congolese Central Bank and the Institute for Social and Economic Research show discrepancies; the Embassy's estimate was significantly lower for 1999 and has been consistently higher in 2000. Examination of the methodology used in Embassy estimates reveals that weightings in the market basket have not been altered for almost ten years. As a result of changes in relative prices over the years, the Embassy estimate has evolved to place an increasingly heavy weight on some factors (notably transportation) and an increasingly light weight on other factors (notably food). Starting in January, the Embassy will adjust its weighting scheme to return to the relative weights used in 1991.

113. (U) EXCHANGE RATE DEVELOPMENTS

Exchange rates in Congo francs per US dollar			
	12/08	12/15	12/22
CENTRAL BANK RATE	50	50	50
PARALLEL MARKET			
-KINSHASA	120-125	127-132	140-145
-LUBUMBASHI	118-121	128-131	135-138
-MBUJI MAYI	119-122	127-130	130-132

SWING